

Phillip set for options trading

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Will options, to be officially traded from October 29, become another new hot derivative after futures? Phillip Securities (Thailand) is preparing for a piece of the action.

Although Kidakan Suwanathama, Phillip's vice president for derivatives, believes options trading will contribute only 10-20 per cent of all derivatives dealings, he is confident the number of its active derivatives-trading accounts will increase from 460 to 600 this year.

The company already has one of the highest turnovers in the Thailand Futures Exchange's Stock Exchange of Thailand (SET) 50 Index Futures at 6.91 per cent of the trading volume, trailing behind market leader KGI Securities Thailand, Trinity Polaris Futures, Kim Eng Securities (Thailand) and Bualuang Securities.

But with big players entering the market in the near future, executive director Prachaya Kulvanichpisit has revised his company's market share to 5 per cent.

Prachaya is aware that it is unusually quick for such a young market like Thailand's to accommodate yet another new financial product within a short period, but he said the July 4 daily trading record of 9,849 contracts for a total trading volume of Bt5.7 billion in the SET 50 Index Futures market was a good indicator of demand.

The advent of the Thailand Futures Exchange (TFEX) came about partly as the result of low liquidity in the Agricultural Futures Exchange of Thailand. People were eager to trade then but had no outlet, he said.

Of the 6,000 active accounts in the market, increasingly more people know how to trade futures contracts, Prachaya added.

Retail investors make up about 60 per cent of Phillip's clients, as opposed to 40 per cent in the market, and derivatives constitute 7-8 per cent of the firm's total revenues.

An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset (which can be a stock, a commodity or the stock index, for instance) at a specific price on or before a certain date.

The TFEX will offer options and futures options.

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